

NOTES TO FINANCIAL STATEMENTS**13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganization**

- 1) As of December 31, 2005, the Company had no common capital shares authorized, issued or outstanding.
- 2) The Company has no preferred stock outstanding.
- 3) The Company has no dividend restrictions.
- 4) As a Mutual Insurer, the Company can only pay dividends on participating policies and the Company does not issue participating policies.
- 5) The Company had no restrictions on its unassigned surplus.
- 6) The Company does not have any advances to surplus.
- 7) As of December 31, 2005, no stock was held by the Company for special purposes such as employee stock options or conversion of preferred stock.
- 8) The Company has no special surplus funds.
- 9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

a. unrealized gains and losses:	\$ 24,984,910
b. nonadmitted asset values:	\$ 84,190,669
c. provision for reinsurance:	\$ 0
- 10) The Company has no Surplus Notes as of December 31, 2005.
- 11) The Company was not involved in a quasi-reorganization.
- 12) The Company was not involved in a quasi-reorganization.

14. Contingencies

The Company is not aware of any contingent liabilities as of December 31, 2005.

In the normal course of business, the Company is involved in litigation from time to time with claimants and others, a number of these were pending at December 31, 2005. In the opinion of the Company, the ultimate liability, if any, has been adequately provided for in the financial statements, and any excess liability would not have a material adverse financial effect upon the Company.

15. Leases

The Company has no material lease obligations at this time.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

The Company does not have any off-balance sheet risk.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

The Company has not been involved in any sale, transfer and servicing of financial assets and extinguishments of liabilities as December 31, 2005.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

Cost Plus Risk Premium	\$ 1,269,013
Cost Plus Large Claim & Aggregate Expense Difference	\$ 493,555
	775,458

Assume Cost Plus Retention Charges = Actual Admin

Then Gain/(Loss) on Cost Plus is \$ 775,458

The gain (loss) from operations for uninsured accident and health plans was as follows during 2004:

	Uninsured Portion of Partially Insured Plans	Total
Net Reimbursement for Administrative expenses (including administrative fees) in excess of actual expenses	NONE	\$ 775,458
Other Income	NONE	NONE
Net gain or (loss) from operations	NONE	\$ 775,458
		\$ 775,458

NOTES TO FINANCIAL STATEMENTS

F. The Company and certain subsidiary affiliates, including unconsolidated subsidiaries, participate in a vendor payment system administered and maintained by the Company. Costs from this system as well as other costs, which have multi-company benefit, are allocated to the Company and its affiliates based on allocation formulas.

G.	N/A
H.	N/A
I.	N/A
J.	N/A

11. Debt

A. As of December 31, 2005, the Company has no capital notes.

B. As of December 31, 2005, the Company's liability for borrowed money was zero (\$-0-).

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan

The Company no longer offers a defined benefit plan.

B. Defined Contribution Plan

The Company offers an optional 401(k) plan to all eligible employees. The employee has the option of deferring up to 15% of his or her salary. The Company matches the amount deferred by the employee based upon years of service from a minimum of 50% to a maximum of 100% of a 6% contribution.

Effective July 1, 1998 the plan was amended to establish a non-contributory, defined contribution portion of the plan known as 401(k) Plus. Employees are not required to participate in the original defined contribution plan in order to receive benefits under the 401(k) Plus portion of the plan. Under the 401(k) Plus the Company makes a contribution from 2% to 6% of the eligible compensation of all eligible employees. The determination of the percentage to be used in calculating the contribution is based upon annually established net income targets. At no time will the contribution be less than 2% nor more than 6%. For 2004, 4% was used to calculate the Company's contribution of \$4,567,752, and for 2005, 4% was used to calculate the contribution of \$1,884,418.

All funds under the 401(k) Plus portions of the plan are held by an outside trustee.

C. Multi-employer Plans

The Company does not participate in multi-employer plans.

D. Consolidated/Holding Company Plans

The Company participates in a deferred compensation plan with its subsidiaries and affiliates.

E. Postemployment Benefits and Compensated Absences

Arkansas Blue Cross and Blue Shield provides unfunded medical indemnity and life insurance plans for eligible employees and/or their spouses. The medical plan is available to all employees who have 15 years of service and retire at age 55 or later, become disabled, or die while in active service. The plan is PPO plan with an HMO option for those who retired before January 1, 1996. Current employees who retire with 15 years of service as of December 31, 1993, will receive an annual allowance based upon 1994 medical cost adjusted for the health care cost trend rate until retirement, after retirement a 5% inflation rate is applied. Current employees who retire with less than 15 years of service, as of December 31, 1993, will receive an annual allowance adjusted by a 5% inflation rate. The allowance is based upon years of service to a maximum of 25. The life insurance program covers the lives of retirees 55 or older who are eligible for a pension benefit or become disabled. Life insurance amounts are based on the employees' annual earnings at retirement.

The Company's post-employment benefit expense for the year ended December 31, 2005 was \$6,889,000 and included the expected cost of post-employment benefits for newly eligible or vested employees and employees not yet eligible to retire, interest costs, and gains and losses arising from the difference between actuarial assumptions and actual experience. As disclosed in note 1, A., this expense was computed in accordance with generally accepted accounting principles. If the expense had been computed in accordance with Statement of Statutory Accounting Principle #14, the 2005 amount would have been \$6,000,000. Arkansas Blue Cross and Blue Shield made contributions to the plan in the amount of \$929,000 during 2005 as claims were incurred.

As of December 31, 2005 the unfunded post-employment benefit obligation for retirees, other fully eligible or vested plan participants and participants not yet eligible to retire was \$94,875,000. The discount rate used in determining the accumulated post-employment benefit was 5.6% and the health care cost trend rate was 7.0%. The measurement date of the plan is November 30, 2005

The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rate by 1 percentage point per year would increase the total post-employment benefit obligation as of December 31, 2005 by \$1,246,000 and decrease the estimated service cost and interest cost components of net periodic post-employment benefit cost for 2005 by \$20,000.

On December 31, 2004 Arkansas Blue Cross and Blue Shield recognized the effect of the federal subsidy for sponsors of retiree drug plans that are at least actuarially equivalent to Medicare Part D and recognized a reduction in its accumulated post-employment benefit obligation of \$5,764,864. At that time the Company assumed its benefit obligation would be reduced by the full present value of the drug subsidy. During 2005 the assumption of how the subsidy would be applied was modified to assume that it would be used to reduce (or eliminate) retiree premium contributions. Based upon this change in assumptions the accumulated post-employment benefit obligation increased by \$6,356,000 as of December 31, 2005.

NOTES TO FINANCIAL STATEMENTS**31. Salvage and Subrogation**

Anticipated Salvage and Subrogation included as a reduction to Loss Reserves and Loss Adjustment Reserves as reported in the Underwriting and Investment Exhibit and Page 3 –Liabilities, Capital and Surplus, Line 1. This disclosure is presented by annual statement line of business. Amounts presented are as of December 31 of the prior year and December 31 of the year for which this annual statement is being filed.

Line of Business	Year Incurred	December 31 2004	December 31 2005
Accident and Health			
2001	\$ 20,354	\$ (22,999)	
2002	\$ 127,541	\$ 9,181	
2003	\$ 1,917,791	\$ 60,591	
2004	\$ 5,067,778	\$ 1,759,941	
2005	\$ 4,681,564		
Total	\$ 7,116,308	\$ 6,488,277	

NOTES TO FINANCIAL STATEMENTS

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

The Company does not currently have any direct premium written/produced by managing general agents/third party administrators.

20. September 11 Events

The Company did not recognize any losses as a result of the September 11 events.

21. Other Items

- A. The Company had no extraordinary items as of December 31, 2005.
- B. The Company had no troubled debt restructuring as of December 31, 2005.
- C. The Company did not have any other disclosures covered by SSAP No. 1 in the 2005 Annual Statement.
- D. The Company has no uncollectible assets covered by SSAP No 6 as of December 31, 2005.
- E. The Company did not have any Business Interruption Insurance Recoveries as of December 31, 2005.

22. Events Subsequent

There were no known events subsequent as of December 31, 2005.

23. Reinsurance

- A. The Company does not have any unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company's policyholder surplus.
- B. The Company does not have any reinsurance recoverable that is in dispute.
- C. The Company does not have any return commission which would have been due if the Company had cancelled the reinsurance.
- D. The Company did not have any uncollectible reinsurance written off during the year.
- E. There was no commutation of reinsurance during the year.
- F. The Company does not have any retroactive reinsurance agreements.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

The Company did not have any retrospectively rated contracts or contracts subject to redetermination.

25. Change in Incurred Claims and Claim Adjustment Expenses

The Company does not have any changes in the provision for incurred claim and claim adjustment expenses attributable to insured events of prior years.

26. Intercompany Pooling Arrangements

The Company did not have any intercompany pooling arrangements

27. Structured Settlements

The Company did not have any structured settlements as of December 31, 2005.

28. Health Care Receivable

The Company, in accordance with SSAP No. 84, has estimated pharmaceutical rebate receivables recorded on its financial statements. In determining its estimate, the Company utilizes historical information relative to pharmaceutical rebates received as well as considering contractual changes in rebate amounts and changes in membership. While the Company records the total estimated pharmaceutical rebate receivable, it only admits as an asset the estimate for the last quarter of the reporting date. The detail of the estimated amounts on the financial statements and the related collections are as follows:

Qtr	Est Rebates on F/S	---Rebates collected within days of qtr---				
		Admitted	Invoiced	0-90	91-180	over 180
12/31/05	\$2,690,580	\$1,272,261	-0-			26,664
09/30/05	\$2,729,101	\$1,336,831	-0-	122,659		
06/30/05	\$2,455,073	\$1,326,452	-0-		1,052,118	-
03/31/05	\$2,674,032	\$1,356,515	-0-		1,080,848	52,604
12/31/04	\$4,100,518	\$1,116,720	-0-		-	-
09/30/04	\$2,832,236	\$716,517	-0-		-	-
06/30/04	\$2,769,365	\$716,517	-0-		125,504	-
03/31/04	\$2,763,386	\$716,517	-0-		-	736,658
12/31/03	\$3,116,975	\$716,517	-0-		-	921,644
09/30/03	\$3,590,935	\$598,000	-0-		-	688,573
06/30/03	\$3,726,911	\$598,000	-0-		-	826,490
03/31/03	\$3,809,373	\$598,000	-0-		-	404,071

29. Participating Policies

The Company did not have any participating policies.

30. Premium Deficiency Reserves

The Company did not have any premium deficiency reserves as of December 31, 2005.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an insurance holding company system consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary state insurance commissioner, director or superintendent or with such regulatory official of the state of domicile of the principal insuree in the holding company system, a registration statement providing disclosure substantially similar to the standards adopted by the national association of insurance commissioners (NAIC) in its model insurance holding company system regulatory act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such act and regulations? Yes [X] No [] N/A []
- 1.3 State regulating? Arkansas
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No [] 03/21/2005
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.
- 3.2 State the as of date of the latest financial examination report became available from either the state of domicile or the reporting entity. This is the release date or completion date of the examination (balance sheet date).
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).
- 3.4 By what department or departments? Arkansas Insurance Department
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.1.1 sales of new business?
- 4.1.2 renewals?
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.2.1 sales of new business?
- 4.2.2 renewals?
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC Co. Code | 3
State of Domicile |
|---------------------|--------------------|------------------------|
|---------------------|--------------------|------------------------|
- 6.1 Has the reporting entity had any certificates of authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [] No [X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-united states) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
7.2.1 State the percentage of foreign control.
7.2.2 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact).
1 Nationality
2 Type of Entity
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?
8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency (i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)) and identify the affiliate's primary federal regulator.
- | 1
Affiliate Name | 2
Location (City, State) | 3
FRB | 4
OCC | 5
OTS | 6
FDIC | 7
SEC |
|---------------------|-----------------------------|----------|----------|----------|-----------|----------|
|---------------------|-----------------------------|----------|----------|----------|-----------|----------|
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte & Touche, 111 Center Street, Suite 1800, Little Rock, AR 72201
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/verification?
Samuel P. Partin, Sr. Vice President - Actuary & Risk Management, Arkansas Blue Cross and Blue Shield, 320 W. Capitol, Little Rock, AR 72201
- 11.1 Does the reporting entity own any securities of a real estate holding company?
11.1.1 Name of real estate holding company:
11.1.2 Number of parcels involved
11.1.3 Total book/adjusted carrying value
11.2 If yes, provide explanation.
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity passed upon either by the board of directors or a subordinate committee thereof?
12.3 Have there been any changes made to any of the trust indentures during the year?
12.4 If answer to (12.3) is yes, has the domiciliary or entity state approved the changes?
- BOARD OF DIRECTORS**
13. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?
14. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?
15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

SUMMARY INVESTMENT SCHEDULE

	Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:					
1.1 U.S. treasury securities.....	114,657,730	19.4	114,657,730	20.4	
1.2 U.S. government agency obligations (excluding mortgage-backed securities):					
1.21 Issued by U.S. government agencies.....		0.0			0.0
1.22 Issued by U.S. government sponsored agencies.....		0.0			0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities).....	13,026,952	2.2	13,026,952	2.3	
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:					
1.41 States, territories and possessions general obligations.....	26,196,054	4.4	26,196,054	4.7	
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations.....	1,083,034	0.2	1,083,034	0.2	
1.43 Revenue and assessment obligations.....	21,312,829	3.6	21,312,829	3.8	
1.44 Industrial development and similar obligations.....	73,239,106	12.4	73,239,106	13.1	
1.5 Mortgage-backed securities (includes residential and commercial MBS):					
1.51 Pass-through securities:					
1.511 Issued or guaranteed by GNMA.....		0.0			0.0
1.512 Issued or guaranteed by FNMA and FHLMC.....		0.0			0.0
1.513 All other.....		0.0			0.0
1.52 CMOS and REMICs:					
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA.....		0.0			0.0
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521.....		0.0			0.0
1.523 All other.....		0.0			0.0
2. Other debt and other fixed income securities (excluding short-term):					
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....		0.0			0.0
2.2 Unaffiliated foreign securities.....		0.0			0.0
2.3 Affiliated securities.....		0.0			0.0
3. Equity interests:					
3.1 Investments in mutual funds.....		0.0			0.0
3.2 Preferred stocks:					
3.21 Affiliated.....		0.0			0.0
3.22 Unaffiliated.....	241,000	0.0	241,000	0.0	
3.3 Publicly traded equity securities (excluding preferred stocks):					
3.31 Affiliated.....		0.0			0.0
3.32 Unaffiliated.....	85,565,115	14.5	85,565,175	15.2	
3.4 Other equity securities:					
3.41 Affiliated.....	134,956,498	22.8	105,482,493	18.8	
3.42 Unaffiliated.....		0.0			0.0
3.5 Other equity interests including tangible personal property under lease:					
3.51 Affiliated.....		0.0			0.0
3.52 Unaffiliated.....		0.0			0.0
4. Mortgage loans:					
4.1 Construction and land development.....		0.0			0.0
4.2 Agricultural.....		0.0			0.0
4.3 Single family residential properties.....		0.0			0.0
4.4 Multifamily residential properties.....		0.0			0.0
4.5 Commercial loans.....		0.0			0.0
4.6 Mezzanine real estate loans.....		0.0			0.0
5. Real estate investments:					
5.1 Property occupied by company.....	25,520,624	4.3	25,520,624	4.5	
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt).....	17,166,529	2.9	17,166,529	3.1	
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt).....		0.0			0.0
6. Contract loans.....		0.0			0.0
7. Receivables for securities.....	1,982,575	0.3	1,982,575	0.4	
8. Cash, cash equivalents and short-term investments.....	75,135,429	12.7	75,135,429	13.4	
9. Other invested assets.....	597,545	0.1	597,545	0.1	
10. Total invested assets.....	590,681,070	100.0	561,207,075	100.0	

ARKANSAS INSURANCE DEPARTMENT

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

25.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from the above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	Date of Valuation
Templeton Dragon Fund	Dairy Farm Int Holdings Ltd.	178,854	09/30/2005
Templeton Dragon Fund	China Mobile (Hong Kong) Ltd.	81,469	09/30/2005
Templeton Dragon Fund	China Petroleum & Chemical Corp.	53,211	09/30/2005
Templeton Dragon Fund	Petrochina Co. Ltd.	49,676	09/30/2005
Templeton Dragon Fund	Cheung Kong Infrastructure Holdings Ltd.	44,708	09/30/2005
Vanguard Windsor Fund Admiral Shares	Citigroup, Inc.	32,484	09/30/2005
Vanguard Windsor Fund Admiral Shares	Bank of America Corp.	21,055	09/30/2005
Vanguard Windsor Fund Admiral Shares	Comcast Corp. Class A	20,453	09/30/2005
Vanguard Windsor Fund Admiral Shares	Cisco Systems, Inc.	20,453	09/30/2005
Vanguard Windsor Fund Admiral Shares	Tyco International Ltd	19,250	09/30/2005

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

1	2	3
Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds.....	335,748,720	332,871,167(2,877,553)
26.2 Preferred stocks.....	241,000	241,0000
26.3 Totals.....	335,989,720	333,112,167(2,877,553)

26.4 Describe the sources or methods utilized in determining the fair values.

Fair value pricing obtained, where applicable, from NAIC 4th Quarter 2005 Valuation of Securities database, or from market prices provided by Regions Morgan Keegan Trust Company, custodian

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

If no, list exceptions.

OTHER

\$.....942,045

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?
List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to
trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1	2
Name	Amount Paid
Blue Cross Blue Shield Association	401,590
Consortium Health Plans	296,538

\$.....1,087,953

29.1 Amount of payments for legal expenses, if any?
List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments
for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
Foley & Lardner	924,580

\$.....267,976

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?
List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures
in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1	2
Name	Amount Paid
Blue Cross Blue Shield Association	124,050

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

- 11.13 An Individual Practice Association (IPA), or
11.14 A Mixed Model (combination of above)?
11.2 Is the reporting entity subject to Minimum Net Worth Requirements?
11.3 If yes, show the name of the state requiring such net worth.
Arkansas
11.4 If yes, show the amount required.
11.5 Is this amount included as part of a contingency reserve in stockholder's equity?
11.6 If the amount is calculated, show the calculation:

\$.....575,000
Yes [] No [X]

12. List service areas in which reporting entity is licensed to operate:

1	Name of Service Area
State of Arkansas	

Arkansas Blue Cross and Blue Shield, A Mutual Insurance Company

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [X] No []
\$.....,170,563,565
\$.....,0
- 1.2 If yes, indicate premium earned on U.S. business only
- 1.3 What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?
- 1.31 Reason for excluding _____

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in item (1.2) above. \$.....,0
\$.....,145,916,100
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance.

Individual policies:
Most current three years:

1.61 Total premium earned
\$.....,31,773,322

1.62 Total incurred claims
\$.....,19,063,042

1.63 Number of covered lives
\$.....,26,071

All years prior to most current three years:

1.64 Total premium earned
\$.....,138,790,183

1.65 Total incurred claims
\$.....,126,833,058

1.66 Number of covered lives
\$.....,86,955

Group policies:
Most current three years:

1.71 Total premium earned
\$.....,0

1.72 Total incurred claims
\$.....,0

1.73 Number of covered lives
\$.....,0

All years prior to most current three years:

1.74 Total premium earned
\$.....,0

1.75 Total incurred claims
\$.....,0

1.76 Number of covered lives
\$.....,0

Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	916,510,993	908,672,384
2.2 Premium Denominator.....	916,510,993	908,672,384
2.3 Premium Ratio (2.1/2.2).....	100.0	100.0
2.4 Reserve Numerator.....	175,559,445	171,694,843
2.5 Reserve Denominator.....	175,733,626	171,976,532
2.6 Reserve Ratio (2.4/2.5).....	99.9	99.8

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [] No [X]

- 3.2 If yes, give particulars:

- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians' and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes [X] No []
Yes [] No [X]
Yes [] No [X]

- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No [X]

- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [] No [X]

- 5.2 If no, explain:

Sufficient capital and surplus, 50 plus year history of managing the business without a stop-loss reinsurance policy.

Most of the Company's policies contain a \$2,000,000 lifetime maximum benefit level.

5.3 Maximum retained risk (see instructions):

- | | |
|---------------------------------|-----------|
| 5.31 Comprehensive medical | \$.....,0 |
| 5.32 Medical only | \$.....,0 |
| 5.33 Medicare supplement | \$.....,0 |
| 5.34 Dental | \$.....,0 |
| 5.35 Other limited benefit plan | \$.....,0 |
| 5.36 Other | \$.....,0 |

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
Hold harmless agreements.

- 7.1 Does the reporting entity set up its claim liability for provider services on a service date base? Yes [X] No []

- 7.2 If no, give details:

8. Provide the following information regarding participating providers:

- 8.1 Number of providers at start of reporting year10,299
.....,11,072

- 8.2 Number of providers at end of reporting year

- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [] No [X]

- 9.2 If yes, direct premium earned:

9.21 Business with the rate guarantees between 15-36 months

9.22 Business with rate guarantees over 36 months

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [] No [X]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses10,299
 - 10.22 Amount actually paid for year bonuses11,072
 - 10.23 Maximum amount payable withholdss
 - 10.24 Amount actually paid for year withholdss

- 11.1 Is the reporting entity organized as:
11.12 A Medical Group/Staff Model,

MEDICARE SUPPLEMENT INSURANCE EXPERIENCE EXHIBIT

NACIC Company Code.....83470
Telephone Number.....

FOR THE STATE OF Arkansas

(To Be Filed by March 1)

NALC Group Code.....876
Address (City, State and Zip Code).....
Person Completing This Exhibit.....
Title.....

Supplement for the year 2005 of the Arkansas Blue Cross and Blue Shield, A Mutual Insurance Company



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• 17

FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	2 2003	3 2003	4 2002	5 2001
Balance Sheet Items (Pages 2 and 3)						
1. Total admitted assets (Page 2, Line 26),	765,025,230	691,195,605	573,082,721	495,930,475	443,673,978	
2. Total liabilities (Page 3, Line 22),	336,350,704	309,206,961	245,881,225	236,347,212	241,424,657	
3. Statutory surplus,	500,000	500,000	500,000	500,000	500,000	
4. Total capital and surplus (Page 3, Line 31),	428,674,526	381,988,642	327,201,498	259,583,264	202,249,321	
Income Statement Items (Page 4)						
5. Total revenues (Line 8),	905,658,277	901,883,115	892,177,454	842,674,538	909,753,142	
6. Total medical and hospital expenses (Line 18),	714,779,226	703,473,612	691,717,425	630,068,182	754,955,914	
7. Claims adjustment expenses (Line 20),	26,043,512	25,836,965	43,861,830	14,156,798		
8. Total administrative expenses (Line 21),	82,219,640	84,994,682	77,878,522	109,129,516	105,545,956	
9. Net underwriting gain (loss) (Line 24),	82,935,644	87,660,025	78,234,607	89,146,607	37,024,353	
10. Net investment gain (loss) (Line 27),	17,388,988	14,444,124	11,312,158	12,289,948	16,506,605	
11. Total other income (Lines 28 plus 29),	(13,364,317)	(6,495,777)	(5,900,234)	(20,348,376)	(2,907,822)	
12. Net income or (loss) (Line 32),	51,554,601	61,856,418	52,363,031	48,155,161	50,623,176	
Risk-Based Capital Analysis						
13. Total adjusted capital,	428,674,526	381,988,642	327,201,498	259,583,264	202,249,321	
14. Authorized control level risk-based capital	38,273,030	36,159,444	33,779,003	30,105,146	35,624,729	
Enrollment (Exhibit 1)						
15. Total members at end of period (Column 5, Line 7),	407,061	398,572	396,293	393,923	454,357	
16. Total member months (Column 6, Line 7),	4,841,073	4,773,383	4,808,747	4,611,230	5,485,032	
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) $\times 100$						
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5),	100,0	100,0	100,0	100,0	100,0	
18. Total hospital and medical plus other non-health (Line 18 plus Line 19),	78.9	78.0	77.5	74.8	83.0	
19. Cost containment expenses,	1.1	(0.0)	XXX	XXX	XXX	
20. Other claims adjustment expenses,	1.8	2.9				
21. Total underwriting deductions (Line 23),	90.8	90.3	91.2	89.4	95.6	
22. Total underwriting gain (loss) (Line 24),	9.2	9.7	8.8	10.6	4.1	
Unpaid Claims Analysis (U&I Exhibit, Part 2B)						
23. Total claims incurred for prior years (Line 13 Col. 5),	80,444,566	93,808,653	86,206,151	98,002,177	106,619,547	
24. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	111,255,939	105,734,038	104,431,202	127,762,284	122,107,552	
Investments in Parent, Subsidiaries and Affiliates						
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1),						
26. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1),						
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2),	134,956,488	99,843,620	87,006,604	81,681,225	71,799,635	
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11),						
29. Affiliated mortgage loans on real estate,						
30. All other affiliated,						
31. Total of above Lines 25 to 30,	134,956,488	99,843,620	87,006,604	81,681,225	71,799,635	

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FINANCE
ARKANSAS INSURANCE DEPARTMENT



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EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION.....Arkansas Blue Cross and Blue Shield, A Mutual Insurance Company

2. Little Rock, AR

BUSINESS IN THE STATE OF GRAND TOTAL DURING THE YEAR

(Location)

NAIC Group Code....876

NAIC Company Code....83470

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
Total Members at end of:													
1. Prior year.....	398,572	95,670	129,387	111,809		9,397	52,309						
2. First quarter.....	401,084	93,474	132,079	112,243		9,885	53,403						
3. Second quarter.....	403,100	93,540	133,069	112,578		10,681	53,232						
4. Third quarter.....	405,170	93,484	134,105	113,058		11,330	53,193						
5. Current year.....	407,061	93,042	135,571	112,902		12,171	53,375						
6. Current year member months.....	4,841,073	1,122,393	1,599,527	1,351,494		129,416	638,243						
Total Member Ambulatory Encounters for Year:													
7. Physician.....	21,105,551	1,474,151	3,022,127	16,339,941		269,332							
8. Non-physician.....	1,636,730	310,838	767,210	558,682									
9. Totals.....	22,742,281	1,784,989	3,789,337	16,898,623	0	269,332	0	0	0	0	0	0	0
10. Hospital patient days incurred.....	279,409	15,434	39,322	224,653									
11. Number of inpatient admissions.....	49,846	4,152	10,924	34,770									
12. Health premiums written.....	864,225,531	163,732,316	343,202,239	170,657,745		17,191,410	169,441,821						
13. Life premiums direct.....	0												
14. Property/casualty premiums written.....	0												
15. Health premiums earned.....	863,748,291	163,641,900	343,012,717	170,563,505		17,181,916	169,348,253						
16. Property/casualty premiums earned.....	0												
17. Amount paid for provision of health care services.....	682,211,260	120,023,885	246,352,021	143,422,517		13,702,188	158,710,649						
18. Amount incurred for provision of health care services.....	679,872,905	117,114,313	244,701,906	145,916,099		14,346,486	157,794,101						

(a) For health business: number of persons insured under PPO managed care products....263,765 and number of persons insured under indemnity only products....143,296.

30.31

SCHEDULE A - VERIFICATION BETWEEN YEARS

Real Estate

1.	Book/adjusted carrying value, December 31 of prior year.....	42,606,465
2.	Increase (decrease) by adjustment:	
2.1	Totals, Part 1, Column 11.....	2,309,919
2.2	Totals, Part 3, Column 7.....	
3.	Cost of acquired (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9)).....	
4.	Cost of additions and permanent improvements:	
4.1	Totals, Part 1, Column 14.....	2,480,673
4.2	Totals, Part 3, Column 9.....	
5.	Total profit (loss) on sales, Part 3, Column 14.....	140,260
6.	Increase (decrease) by foreign exchange adjustment:	
6.1	Totals, Part 1, Column 12.....	
6.2	Totals, Part 3, Column 8.....	230,326
7.	Amounts received on sales, Part 3, Column 11 and Part 1, Column 13.....	42,687,153
8.	Book/adjusted carrying value at end of current period.....	
9.	Total valuation allowance.....	
10.	Subtotal (Lines 8 plus 9).....	42,687,153
11.	Total nonadmitted amounts.....	
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column).....	42,687,153

SCHEDULE B - VERIFICATION BETWEEN YEARS

Mortgage Loans

1.	Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year.....	
2.	Amount loaned during year:	
2.1	Actual cost at time of acquisitions.....	0
2.2	Additional investment made after acquisitions.....	
3.	Accrual of discount and mortgage interest points and commitment fees.....	
4.	Increase (decrease) by adjustment.....	
5.	Total profit (loss) on sale.....	
6.	Amounts paid on account or in full during the year.....	
7.	Amortization of premium.....	
8.	Increase (decrease) by foreign exchange adjustment.....	
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period.....	0
10.	Total valuation allowance.....	
11.	Subtotal (Lines 9 plus 10).....	0
12.	Total nonadmitted amounts.....	
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column).....	0

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Long-Term Invested Assets

1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year.....	(0)
2.	Cost of acquisitions during year:	
2.1	Actual cost at time of acquisitions.....	
2.2	Additional investment made after acquisitions.....	0
3.	Accrual of discount.....	
4.	Increase (decrease) by adjustment.....	
5.	Total profit (loss) on sale.....	
6.	Amounts paid on account or in full during the year.....	
7.	Amortization of premium.....	
8.	Increase (decrease) by foreign exchange adjustment.....	
9.	Book/adjusted carrying value of long-term invested assets at end of current period.....	(0)
10.	Total valuation allowance.....	
11.	Subtotal (Lines 9 plus 10).....	(0)
12.	Total nonadmitted amounts.....	
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3).....	(0)

Arkansas Blue Cross and Blue Shield, A Mutual Insurance Company
SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS	Description				
Governments (Including all obligations guaranteed by governments)	1. United States.....	114,657,727	113,477,408	117,303,438	112,800,000
	2. Canada.....				250,000
	3. Other Countries.....	250,922	250,945	293,385	
	4. Totals.....	114,908,649	113,728,353	117,597,323	113,050,000
	5. United States.....	26,136,054	25,897,190	26,566,380	26,060,000
States, Territories and Possessions (Direct and guaranteed)	6. Canada.....				
	7. Other Countries.....				
	8. Totals.....	26,136,054	25,897,190	26,566,380	26,060,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....	1,083,034	1,086,130	1,083,380	1,000,000
	10. Canada.....				
	11. Other Countries.....				
	12. Totals.....	1,083,034	1,086,130	1,083,380	1,000,000
Special Revenue and Special Assessment Obligations and all Non-guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	13. United States.....	21,312,829	20,834,967	21,520,580	21,200,000
Public Utilities (Unaffiliated)	14. Canada.....				
	15. Other Countries.....				
	16. Totals.....	21,312,829	20,834,967	21,520,580	21,200,000
Industrial and Miscellaneous and Credit Tenant Loans (Unaffiliated)	17. United States.....	1,203,395	1,171,524	1,272,997	1,150,000
	18. Canada.....				
	19. Other Countries.....				
	20. Totals.....	1,203,395	1,171,524	1,272,997	1,150,000
	21. United States.....	72,035,710	71,034,791	74,009,704	68,849,000
	22. Canada.....	8,255,465	8,301,082	8,466,928	8,120,000
	23. Other Countries.....	4,522,366	4,536,150	4,639,475	4,500,000
	24. Totals.....	84,811,741	83,872,023	87,116,107	82,469,000
Parent, Subsidiaries and Affiliates	25. Totals.....				
	26. Total Bonds.....	249,515,702	248,590,187	255,157,567	244,929,000
PREFERRED STOCKS	27. United States.....				
Public Utilities (Unaffiliated)	28. Canada.....				
	29. Other Countries.....				
	30. Totals.....	0	0	0	0
Banks, Trust and Insurance Companies (Unaffiliated)	31. United States.....	241,000	241,000	241,000	241,000
	32. Canada.....				
	33. Other Countries.....				
	34. Totals.....	241,000	241,000	241,000	241,000
Industrial and Miscellaneous (Unaffiliated)	35. United States.....				
	36. Canada.....				
	37. Other Countries.....				
	38. Totals.....	0	0	0	0
Parent, Subsidiaries and Affiliates	39. Totals.....				
	40. Total Preferred Stocks.....	241,000	241,000	241,000	241,000
COMMON STOCKS	41. United States.....				
Public Utilities (Unaffiliated)	42. Canada.....				
	43. Other Countries.....				
	44. Totals.....	0	0	0	0
Banks, Trust and Insurance Companies (Unaffiliated)	45. United States.....	2,410	2,410	2,410	2,410
	46. Canada.....				
	47. Other Countries.....				
	48. Totals.....	2,410	2,410	2,410	2,410
Industrial and Miscellaneous (Unaffiliated)	49. United States.....	63,346,029	63,346,029	25,508,479	
	50. Canada.....	22,216,736	22,216,736	8,613,771	
	51. Other Countries.....				
	52. Totals.....	85,562,765	85,562,765	34,122,250	
Parent, Subsidiaries and Affiliates	53. Totals.....	134,956,488	134,956,488	80,867,932	
	54. Total Common Stocks.....	220,521,663	220,521,663	114,812,592	
	55. Total Stocks.....	220,762,663	220,762,663	115,053,592	
	56. Total Bonds and Stocks....	470,278,365	467,352,850	370,211,159	

FINANCE
KANSAS INSURANCE DEPARTMENT

MAR 15 2006

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SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	400,587,591	7. Amortization of premium.....	2,703,830
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	110,903,539	8. Foreign exchange adjustment:	
3. Accrued or discount.....	186,548	8.1 Column 15, Part 1.....	
4. Increase (decrease) by adjustment:	(67,304)	8.2 Column 19, Part 2, Section 1.....	
4.1 Columns 12 - 14, Part 1.....		8.3 Column 16, Part 2, Section 2.....	
4.2 Columns 15 - 17, Part 2, Section 1.....		8.4 Column 15, Part 4.....	
4.3 Column 15, Part 2, Section 2.....		9. Book/adjusted carrying value at end of current period.....	0
4.4 Column 11 - 13, Part 4.....		10. Total valuation allowance.....	470,278,366
5. Total gain (loss), Column 19, Part 4.....	16,225,067	11. Subtotal (Lines 9 plus 10).....	470,278,366
6. Deduct consideration for bonds and stocks disposed of, Column 7, Part 4.....	4,947,746	12. Total nonadmitted amounts.....	29,473,995
	58,368,295	13. Statement value of bonds and stocks, current year.....	440,804,371

SCHEDULE D - PART 1A - SECTION 1										
Quality and Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations										
U.S. Governments, Schedules D & DA (Group 1)										
1. NAIC Rating per the NAIC Designation	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Total
11 Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
1.1 Class 1	12 Class 2	13 Class 3	14 Class 4	15 Class 5	16 Class 6	17 Totals	182,711,128	54.8	163,965,715	51.0
1.2 Class 1	12 Class 2	13 Class 3	14 Class 4	15 Class 5	16 Class 6	17 Totals	250,922	0.1	261,566	0.1
1.3 Class 1	12 Class 2	13 Class 3	14 Class 4	15 Class 5	16 Class 6	17 Totals	250.922	0.1	250.922	0.1
1.4 Class 1	12 Class 2	13 Class 3	14 Class 4	15 Class 5	16 Class 6	17 Totals	250.922	0.1	250.922	0.1
1.5 Class 1	12 Class 2	13 Class 3	14 Class 4	15 Class 5	16 Class 6	17 Totals	250.922	0.1	250.922	0.1
1.6 Class 1	12 Class 2	13 Class 3	14 Class 4	15 Class 5	16 Class 6	17 Totals	250.922	0.1	250.922	0.1
1.7 Totals	182,711,128	54.8	163,965,715	51.0	182,711,128	51.0	182,711,128	51.0	182,711,128	51.0
2. All Other Governments, Schedules D & DA (Group 2)	93,316,495	89,394,633	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1 Class 1	2.2 Class 2	2.3 Class 3	2.4 Class 4	2.5 Class 5	2.6 Class 6	2.7 Totals	250.922	0.1	250.922	0.1
2.2 Class 1	2.3 Class 2	2.4 Class 3	2.5 Class 4	2.6 Class 5	2.7 Class 6	2.7 Totals	250.922	0.1	250.922	0.1
2.3 Class 1	2.4 Class 2	2.5 Class 3	2.6 Class 4	2.7 Class 5	2.7 Class 6	2.7 Totals	250.922	0.1	250.922	0.1
2.4 Class 1	2.5 Class 2	2.6 Class 3	2.7 Class 4	2.7 Class 5	2.7 Class 6	2.7 Totals	250.922	0.1	250.922	0.1
2.5 Class 1	2.6 Class 2	2.7 Class 3	2.7 Class 4	2.7 Class 5	2.7 Class 6	2.7 Totals	250.922	0.1	250.922	0.1
2.6 Class 1	2.7 Class 2	2.7 Class 3	2.7 Class 4	2.7 Class 5	2.7 Class 6	2.7 Totals	250.922	0.1	250.922	0.1
2.7 Totals	182,711,128	54.8	163,965,715	51.0	182,711,128	51.0	182,711,128	51.0	182,711,128	51.0
3. States, Territories and Possessions, etc., Guaranteed, Schedules D & DA (Group 3)	3,964,065	21,241,989	4,000,000	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.1 Class 1	3.2 Class 2	3.3 Class 3	3.4 Class 4	3.5 Class 5	3.6 Class 6	3.7 Totals	3,964,065	21,241,989	4,000,000	0.0
3.2 Class 1	3.3 Class 2	3.4 Class 3	3.5 Class 4	3.6 Class 5	3.6 Class 6	3.7 Totals	3,964,065	21,241,989	4,000,000	0.0
3.3 Class 1	3.4 Class 2	3.5 Class 3	3.6 Class 4	3.6 Class 5	3.6 Class 6	3.7 Totals	3,964,065	21,241,989	4,000,000	0.0
3.4 Class 1	3.5 Class 2	3.6 Class 3	3.6 Class 4	3.6 Class 5	3.6 Class 6	3.7 Totals	3,964,065	21,241,989	4,000,000	0.0
3.5 Class 1	3.6 Class 2	3.6 Class 3	3.6 Class 4	3.6 Class 5	3.6 Class 6	3.7 Totals	3,964,065	21,241,989	4,000,000	0.0
3.6 Class 1	3.6 Class 2	3.6 Class 3	3.6 Class 4	3.6 Class 5	3.6 Class 6	3.7 Totals	3,964,065	21,241,989	4,000,000	0.0
3.7 Totals	15,378,695	4.7	26,196,054	7.9	15,378,695	4.7	26,196,054	7.9	15,378,695	4.7
4.1 Class 1	4.2 Class 2	4.3 Class 3	4.4 Class 4	4.5 Class 5	4.6 Class 6	4.7 Totals	1,083,034	1,083,034	1,083,034	0.0
4.2 Class 1	4.3 Class 2	4.4 Class 3	4.5 Class 4	4.6 Class 5	4.6 Class 6	4.7 Totals	1,083,034	1,083,034	1,083,034	0.0
4.3 Class 1	4.4 Class 2	4.5 Class 3	4.6 Class 4	4.6 Class 5	4.6 Class 6	4.7 Totals	1,083,034	1,083,034	1,083,034	0.0
4.4 Class 1	4.5 Class 2	4.6 Class 3	4.6 Class 4	4.6 Class 5	4.6 Class 6	4.7 Totals	1,083,034	1,083,034	1,083,034	0.0
4.5 Class 1	4.6 Class 2	4.6 Class 3	4.6 Class 4	4.6 Class 5	4.6 Class 6	4.7 Totals	1,083,034	1,083,034	1,083,034	0.0
4.6 Class 1	4.6 Class 2	4.6 Class 3	4.6 Class 4	4.6 Class 5	4.6 Class 6	4.7 Totals	1,083,034	1,083,034	1,083,034	0.0
4.7 Totals	1,083,034	1,083,034	1,083,034	1,083,034	1,083,034	4.7 Totals	1,083,034	1,083,034	1,083,034	0.0
5.1 Class 1	5.2 Class 2	5.3 Class 3	5.4 Class 4	5.5 Class 5	5.6 Class 6	5.7 Totals	5,000,000	16,312,629	0.0	0.0
5.2 Class 1	5.3 Class 2	5.4 Class 3	5.5 Class 4	5.5 Class 5	5.6 Class 6	5.7 Totals	5,000,000	16,312,629	0.0	0.0
5.3 Class 1	5.4 Class 2	5.5 Class 3	5.5 Class 4	5.5 Class 5	5.6 Class 6	5.7 Totals	5,000,000	16,312,629	0.0	0.0
5.4 Class 1	5.5 Class 2	5.5 Class 3	5.5 Class 4	5.5 Class 5	5.6 Class 6	5.7 Totals	5,000,000	16,312,629	0.0	0.0
5.5 Class 1	5.5 Class 2	5.5 Class 3	5.5 Class 4	5.5 Class 5	5.6 Class 6	5.7 Totals	5,000,000	16,312,629	0.0	0.0
5.6 Class 1	5.6 Class 2	5.6 Class 3	5.6 Class 4	5.6 Class 5	5.6 Class 6	5.7 Totals	5,000,000	16,312,629	0.0	0.0
5.7 Totals	21,312,829	6.4	24,399,725	7.5	21,312,829	6.4	24,399,725	7.5	21,312,829	6.4
6. Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed, Schedules D & DA (Group 5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6.1 Class 1	6.2 Class 2	6.3 Class 3	6.4 Class 4	6.5 Class 5	6.5 Class 6	6.7 Totals	0.0	0.0	0.0	0.0
6.2 Class 1	6.3 Class 2	6.4 Class 3	6.4 Class 4	6.5 Class 5	6.5 Class 6	6.7 Totals	0.0	0.0	0.0	0.0
6.3 Class 1	6.4 Class 2	6.4 Class 3	6.4 Class 4	6.5 Class 5	6.5 Class 6	6.7 Totals	0.0	0.0	0.0	0.0
6.4 Class 1	6.4 Class 2	6.4 Class 3	6.4 Class 4	6.5 Class 5	6.5 Class 6	6.7 Totals	0.0	0.0	0.0	0.0
6.5 Class 1	6.5 Class 2	6.5 Class 3	6.5 Class 4	6.5 Class 5	6.6 Class 6	6.7 Totals	0.0	0.0	0.0	0.0
6.6 Class 1	6.6 Class 2	6.6 Class 3	6.6 Class 4	6.6 Class 5	6.7 Class 6	6.7 Totals	0.0	0.0	0.0	0.0
6.7 Totals	0.0	0.0	0.0	0.0	0.0	6.7 Totals	0.0	0.0	0.0	0.0

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, At Book/Adjusting Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Class 1.....	501,731	701,664				1,203,395	.4	1,233,900	.4	1,203,395	
6.2 Class 2.....						0	0				
6.3 Class 3.....						0	0				
6.4 Class 4.....						0	0				
6.5 Class 5.....						0	0				
6.6 Class 6.....						0	0				
6.7 Totals.....	501,731	701,664	0	0	0	1,203,395	.4	1,233,900	.4	1,203,395	0
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Class 1.....	39,795,964	40,027,876				80,042,654	24.0	106,467,302	32.6	80,042,654	
7.2 Class 2.....	1,905,376	9,931,782	1,481,664			13,318,822	4.0	9,264,966	2.8	13,318,822	
7.3 Class 3.....	1,299,013	1,354,458	2,665,506			5,318,977	1.6	998,345	0.3	5,318,977	
7.4 Class 4.....	996,983					996,983	0.3	993,906	0.3	996,983	
7.5 Class 5.....	816,973					816,973	0.2	837,295	0.3	816,973	
7.6 Class 6.....						0	0				
7.7 Totals.....	44,814,309	51,314,116	4,147,170	0	218,814	100,494,409	30.2	118,561,814	36.3	100,494,409	0
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Class 1.....						0	0.0				
8.2 Class 2.....						0	0.0				
8.3 Class 3.....						0	0.0				
8.4 Class 4.....						0	0.0				
8.5 Class 5.....						0	0.0				
8.6 Class 6.....						0	0.0				
8.7 Totals.....	0	0	0	0	0	0	0.0	0	0	0	0
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Class 1.....						0	0.0				
9.2 Class 2.....						0	0.0				
9.3 Class 3.....						0	0.0				
9.4 Class 4.....						0	0.0				
9.5 Class 5.....						0	0.0				
9.6 Class 6.....						0	0.0				
9.7 Totals.....	0	0	0	0	0	0	0.0	0	0	0	0

SCHEDULE D - PART 1A - SECTION 1 (continued)

Kuedu

Quality and Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

10
3

(b) includes \$.....0 current year; \$.....0 prior year of bonds with Z.....0 current year, \$.....0 prior year of bonds with Z.....Z means the SVO could not evaluate the obligation because valuation procedures for the security class are under regulatory review.

(c) includes \$.....0 current year; \$.....0 prior year of bonds with Z.....Z means the SVO could not evaluate the detail of the statement. The letter "Z" means the NALC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. The letter "Z" means the NALC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Type and Subtype of Issues

Distribution by Type	1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Issuer Obligations.....	93,316,495	89,394,633				182,711,128	.54.8	163,965,715	.51.0	182,711,128	
1.2 Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
1.7 Totals.....	93,316,495	89,394,633	0	0	0	182,711,128	.54.8	163,965,715	.51.0	182,711,128	0
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Issuer Obligations.....	250,922					250,922	0.1				250,922
2.2 Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
2.3 Defined.....						0	0.0	261,565	.01		
2.4 Other.....						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
2.5 Defined.....						0	0.0				
2.6 Other.....						0	0.0				
2.7 Totals.....	250,922	0	0	0	0	250,922	0.1	261,565	.01	250,922	0
3. States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 3)											
3.1 Issuer Obligations.....	3,954,065	21,241,989	1,000,000			26,196,054	.7.9	15,378,695	.4.7	26,196,054	
3.2 Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
3.3 Defined.....						0	0.0				
3.4 Other.....						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
3.5 Defined.....						0	0.0				
3.6 Other.....						0	0.0				
3.7 Totals.....	3,954,065	21,241,989	1,000,000	0	0	26,196,054	.7.9	15,378,695	.4.7	26,196,054	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Issuer Obligations.....		1,083,034				1,083,034	0.3				1,083,034
4.2 Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
4.3 Defined.....						0	0.0				
4.4 Other.....						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
4.5 Defined.....						0	0.0				
4.6 Other.....						0	0.0				
4.7 Totals.....	0	1,083,034	0	0	0	1,083,034	0.3	0		1,083,034	0
5. Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Issuer Obligations.....	5,000,000	16,312,829				21,312,829	.6.4	24,399,725	.7.5	21,312,829	
5.2 Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
5.3 Defined.....						0	0.0				
5.4 Other.....						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
5.5 Defined.....						0	0.0				
5.6 Other.....						0	0.0				
5.7 Totals.....	5,000,000	16,312,829	0	0	0	21,312,829	.6.4	24,399,725	.7.5	21,312,829	0

SCHEDULE D - PART 1A - SECTION 2 (Continued)

Statement as of December 31, 2005 or 08a Arkansas Blue Cross and Blue Shield, A Mutual Insurance Company

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Type and Subtype of Issues										
	Distribution by Type	1 Year or Less	2 Years	Over 1 Year	Over 5 Years	Through 5 Years	Over 20 Years	Years	Current Year	% of Line 10.7
									Total from Column 7	Total Traded
									Prior Year	Prior Year
									Total	Total Privately Placed
6. Public Utilities (Unamortized), Subsidiaries D & DA (Group 6)		501,731	701,664						1,203,395	1,203,395
6.1 Issuer Obligations									0.0	0.0
6.2 Single Class Mortgage-Backed Securities									0.0	0.0
6.3 Defined									0.0	0.0
6.4 Other									0.0	0.0
6.5 Defined									0.0	0.0
6.6 Other									0.0	0.0
6.7 Totals		501,731	701,664						1,203,395	1,203,395
7. Industrial & Miscellaneous (Unamortized), Subsidiaries D & DA (Group 7)										
7.1 Issuer Obligations		44,814,309	51,314,116						100,494,409	100,494,409
7.2 Single Class Mortgage-Backed Securities									0.0	0.0
7.3 Defined									0.0	0.0
7.4 Other									0.0	0.0
7.5 Defined									0.0	0.0
7.6 Other									0.0	0.0
7.7 Totals		44,814,309	51,314,116						100,494,409	100,494,409
8. Credit Tenant Loans, Subsidiaries D & DA (Group 8)										
8.1 Issuer Obligations									0.0	0.0
8.2 Single Class Mortgage-Backed Securities									0.0	0.0
8.3 Defined									0.0	0.0
8.4 Other									0.0	0.0
8.5 Defined									0.0	0.0
8.6 Other									0.0	0.0
8.7 Totals		44,814,309	51,314,116						100,494,409	100,494,409
9. Parent Subsidiaries and Affiliates, Subsidiaries D & DA (Group 9)										
9.1 Issuer Obligations									0.0	0.0
9.2 Single Class Mortgage-Backed Securities									0.0	0.0
9.3 Defined									0.0	0.0
9.4 Other									0.0	0.0
9.5 Defined									0.0	0.0
9.6 Other									0.0	0.0
9.7 Totals		0	0						0	0
10. Multi-Class Commercial Mortgage-Backed Securities										
11. Total		0	0						0	0

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Type and Subtype of Issues

Distribution by Type	1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
10. Total Bonds Current Year											
10.1 Issuer Obligations.....	147,837,522	180,048,265	5,147,170	0	218,814	333,251,771	100.0	XXX	XXX	333,251,771	0
10.2 Single Class Mortgage-Backed/Asset-Backed Securities.....	0	0	0	0	0	0	0.0	XXX	XXX	0	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
10.3 Defined.....	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.4 Other.....	0	0	0	0	0	0	0.0	XXX	XXX	0	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
10.5 Defined.....	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.6 Other.....	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.7 Totals.....	147,837,522	180,048,265	5,147,170	0	218,814	333,251,771	100.0	XXX	XXX	333,251,771	0
10.8 Line 10.7 as a % of Col. 6.....	44.4	54.0	1.5	0.0	0.1	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Issuer Obligations.....	148,875,087	159,609,099	14,836,424		219,240	323,539,850	99.9	323,539,849			
11.2 Single Class Mortgage-Backed/Asset-Backed Securities.....								XXX	0	0.0	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
11.3 Defined.....		261,565					XXX	XXX	261,565	0.1	261,565
11.4 Other.....							XXX	XXX	0	0.0	
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
11.5 Defined.....							XXX	XXX	0	0.0	
11.6 Other.....							XXX	XXX	0	0.0	
11.7 Totals.....	148,875,087	159,870,664	14,836,424	0	219,240	323,801,415	100.0	323,801,414		0	
11.8 Line 11.7 as a % of Col. 8.....	46.0	49.4	4.6	0.0	0.1	100.0	XXX	XXX	100.0		0.0
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations.....	147,837,521	180,048,266	5,147,170		218,814	323,539,849	99.9	333,251,771	XXX		
12.2 Single Class Mortgage-Backed/Asset-Backed Securities.....							0.0	XXX	0	0.0	XXX
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
12.3 Defined.....							0.0	261,565	0.1	0	XXX
12.4 Other.....							0.0	0	0.0	0	XXX
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
12.5 Defined.....							0	0	0	0	XXX
12.6 Other.....							0	0	0	0	XXX
12.7 Totals.....	147,837,521	180,048,266	5,147,170	0	218,814	323,801,414	100.0	323,801,414	100.0	333,251,771	XXX
12.8 Line 12.7 as a % of Col. 6.....	44.4	54.0	1.5	0.0	0.1	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10.....	44.4	54.0	1.5	0.0	0.1	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Issuer Obligations.....							0	0	0	0.0	XXX
13.2 Single Class Mortgage-Backed/Asset-Backed Securities.....							0	0	0	0.0	XXX
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
13.3 Defined.....							0	0	0	0.0	XXX
13.4 Other.....							0	0	0	0.0	XXX
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
13.5 Defined.....							0	0	0	0.0	XXX
13.6 Other.....							0	0	0	0.0	XXX
13.7 Totals.....	0	0	0	0	0	0	0.0	0	0.0	0.0	XXX
13.8 Line 13.7 as a % of Col. 6.....	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10.....	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0

	Short-Term Investments	1	2	3	4	5
	Total Investment Assets (a)	Mortgage Loans	Bonds	Other Short-term Investments	Investments in Subsidiaries and Affiliates	Parent, Subsidiaries and Affiliates
1. Bookadjusted carrying value December 31 of prior year	99,148,724	997,362,335	997,362,335	61,750	0	0
2. Cost of short-term investments acquired						2. Costs of short-term investments acquired
3. Increase (decrease) by adjustment				54,207	54,207	5. Total profit (loss) on disposal of short-term investments.
4. Increase (decrease) by foreign exchange adjustment				0	0	7. Bookadjusted carrying value, current year
5. Total profit (loss) on disposal of short-term investments.				83,736,390	83,736,390	8. Total valuation allowance
6. Consideration received on disposal of short-term investments.				1,012,890,626	1,012,890,626	9. Subtotal (Lines 7 plus 8)
7. Bookadjusted carrying value, current year				83,736,390	83,736,390	10. Total nondeductible amounts
8. Total valuation allowance				0	0	11. Subtotal value (Lines 9 minus 10)
9. Subtotal (Lines 7 plus 8)				83,736,390	83,736,390	12. Income collected during year
10. Total nondeductible amounts				0	0	13. Income earned during year
11. Subtotal value (Lines 9 minus 10)				83,736,390	83,736,390	(a) Indicate the category of such assets, for example, joint ventures, transportation equipment

SCHEDULE DA - PART 2 - VERNIFICATION BETWEEN YEARS

Statement as of December 31, 2005 of the **Arkansas Blue Cross and Blue Shield, A Mutual Insurance Company**

Sch. DB-Pt.A-Verification Between Years
NONE

Sch. DB-Pt.B-Verification Between Years
NONE

Sch. DB-Pt.C-Verification Between Years
NONE

Sch. DB-Pt.D-Verification Between Years
NONE

Sch. DB-Pt.E-Verification
NONE

Sch. DB-Pt. F-Sn. 1
NONE

Sch. DB-Pt. F-Sn. 2
NONE

SCHEDULE S - PART 1 - SECTION 2

Arkansas Blue Cross and Blue Shield, A Mutual Insurance Company
Statement as of December 31, 2005 of the

Reinsurance Assumed Accident and Health Insurance Listed by Reinsured Company as of December 31, Current Year

1	2	3	4	5	6	7	8	9	10	11	12
NAIC Company Code	Federal ID	Effective Date	Name of Reinsured	Type of Reinsurance	Location	Reserve Other Than Premiums	Premiums	Premiums	Paid and Unpaid Losses	Reserve	Unpaid Premiums
9542	71-074497	04/01/1996	HMO Partners, Inc.	OTH/G.	Little Rock, AR	50,746,094	1,663,300	3,276,014	4,476,028	193,055	1,326,572
9442	71-074497	04/01/1996	HMO Partners, Inc.	OTH/G.	Little Rock, AR	50,746,094	1,663,300	3,276,014	4,476,028	193,055	1,326,572
9358	71-050232	10/01/2002	USAble Life	ASL/AG	Little Rock, AR	61,585,408	0	0	5,997,655	0	0
019999	Total - Affiliates					61,585,408	0	0	5,997,655	0	0
039999	Totals					61,585,408	0	0	5,997,655	0	0

SCHEDULE S - PART 2

Reinsurance Recoverable on Paid and Unpaid Losses Listed by Reinsuring Company as of December 31, Current Year

1 NAC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Company	5 Location	6 Paid Losses	7 Unpaid Losses
Accident and Health - Affiliates						
7031.....	59-2876455.....	07/01/2005	Florida Combined Life Insurance Company.....	Jacksonville, FL.....	7,021,097.....	1,247,878
0499999.....	Total - Affiliates.....				7,021,097.....	1,247,878
0699999.....	Total - Accident and Health.....				7,021,097.....	1,247,878
0799999.....	Totals - Life, Annuity and Accident and Health.....				7,021,097.....	1,247,878

SCHEDULE S - PART 3 - SECTION 2

Arkansas Blue Cross and Blue Shield, A Mutual Insurance Company
Statement as of December 31, 2005 of the

Reinsurance Ceded Accident and Health Insurance Listed by Reinsurance Company as of December 31, Current Year

SCHEDULE S - PART 4

Reinsurance Ceded To Unauthorized Companies

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Reinsurer	5 Reserve Credit Taken	6 Paid and Unpaid Losses Recoverable (Debit)	7 Other Debits	8 Total (Cols. 5 + 6 + 7)	9 Letters of Credit	10 Trust Agreements	11 Funds Deposited by and Withheld from Reinsurers	12 Other	13 Miscellaneous Balances (Credit)	14 Sum of Cols. 9 + 10 + 11 + 12 + 13 But Not in Excess of Col. 8

4
NONE